

The President's Daily Brief

January 20, 1977

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FOR THE PRESIDENT ONLY

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EGYPT: *The events of the past two days have seriously eroded Sadat's image at home.*

Discontent over economic grievances has been a problem over the last year, and Sadat's popularity had already diminished as a result. Much of the wrath of the current demonstrators is directed personally at him.

The regime's chief support, the military establishment--which itself is feeling the economic pinch--has thus far remained loyal as indicated by the army's role in quelling the riots. Certain military units, however, have been confined to base indefinitely, and scheduled leaves have been canceled, possibly indicating that the government fears some military personnel might join the demonstrators.

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Leftist organizers--believed to have led many of the demonstrations--may be able to sustain the momentum of the riots.

Prime Minister Salim could become a victim of the government's ill-considered actions--the imposition and then suspension of harsh austerity measures. Salim is still active, but President Sadat may hope to deflect criticism from himself by setting Salim up as a scapegoat.

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CYPRUS: *President Makarios has agreed to meet Turkish Cypriot leader Denktash under UN auspices to discuss the present impasse in negotiations and to draw up guidelines for new discussions.*


Talks between representatives of the two communities have been stalled since last February. Makarios stipulated that the coming meeting not be held until late this month so that he could assess the outcome of the visit to Washington of former Cypriot negotiator Clerides.

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UN representatives on Cyprus are cautiously optimistic that the meeting may lead to a resumption of talks. Turkey, with its eye on US congressional approval of the defense agreement negotiated last March is anxious to show some forward movement on Cyprus.  25X1

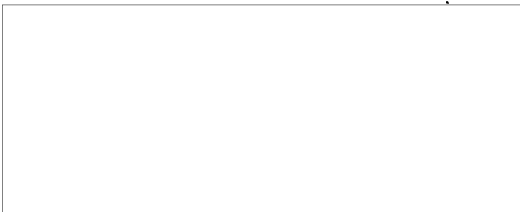
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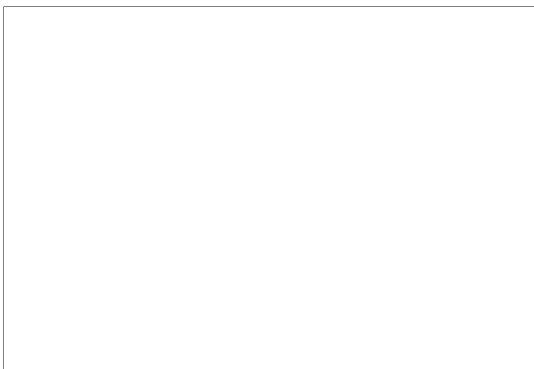
At Annex we discuss European interests in Cyprus and the intention of European officials to raise the Cyprus question with Vice President Mondale during his visit next week. 25X1

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WEST GERMANY - FRANCE:





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NOTES

Soviet President Podgorny plans to visit India within the next couple of months.

The USSR may be seeking reassurances that Gandhi's recent criticism of leftists in her own party and the pro-Moscow Communist Party of India are not a reflection of deteriorating Soviet-Indian relations.

Moscow is setting the stage for the Podgorny visit by moving to resolve outstanding economic problems with India. The most important gesture is a proposed four-year trade deal that would save India about \$100 million in foreign exchange annually.

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Qatari Oil Minister Al Thani is trying to work out a compromise on oil prices.

Al Thani, currently the president of OPEC, has already talked with Kuwait and Iran, the two cartel states most seriously affected by the impasse on prices. Any attempt to resolve the price issue would require the concurrence of both Saudi Arabia and Iran. Neither has indicated a readiness to compromise.

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Yugoslav President Tito is cutting short his Middle East tour.

Tito's trip was intended to add some momentum to Arab efforts to achieve solidarity on issues involved in Middle East negotiations. His return home is an indication of the urgency he attaches to filling the vacancy created by Premier Bijedic's death.

He probably also recognized that President Sadat was preoccupied with the current rioting in Cairo.

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*The situation in Benin
remains tense.*

All US citizens in the capital of
Cotonou are accounted for, but
Beninese security forces are ar-
resting many Caucasians in their
search for the mercenaries left
behind when the coup force fled.

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EUROPEAN INTERESTS IN CYPRUS

European officials intend to raise the question of Cyprus with US Vice President Mondale during his visit next week. They have already tagged Cyprus as the major external concern of the European Community in early 1977, and are now trying to develop a new plan, in cooperation with the US, aimed at resolving the conflict.

The Nine may approve a plan for breaking the impasse in negotiations at the foreign ministers' political cooperation meeting scheduled for January 31. Some officials hope that, with the understanding of the US, this plan could be presented to UN Secretary General Waldheim before Congress takes up legislation on US-Greek and US-Turkish agreements. Additional scenarios are being proposed by UN and European officials.

European interest in a Cyprus settlement springs in part from concern that Greek-Turkish tension undermines NATO's position in the eastern Mediterranean. The EC also has a special involvement with Greece and Turkey as associates and prospective members. Negotiations on Greek membership are under way, but Turkish membership is not likely for some time. This makes it difficult for the EC to maintain a balanced policy toward the two countries.

Turkey fears that Greece, through membership, will gain the advantage of participation in EC political talks on Cyprus and other Mediterranean issues. This has led Turkish officials to propose that Ankara be included in such talks even before Turkey becomes a full member of the EC.

Among European countries, France has taken a position fundamentally favoring Greek interests, perhaps because of French emphasis on the role Europeans can play to support democratic government in Greece. French concern for Greece is also part of a policy of trying to balance German influence within the EC.

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Recently French officials have been reported to oppose any Soviet involvement in a Cyprus settlement. They therefore question the wisdom of a predominant US role in Cyprus talks lest it elicit a Soviet reaction.

In contrast, Germany has been solicitous of Turkey, largely because of Turkey's important but uncertain future role in NATO defense. While Paris received Turkish Foreign Minister Caglayangil noncommittally in early November, his visit to Bonn in mid-December brought a promise from German Foreign Minister Genscher to do everything possible to meet Turkey's requests.

The Europeans are pondering a response to a Council of Europe report harshly critical of Turkey for alleged violations of the Convention of Human Rights in Cyprus following the 1974 invasion of the island. The report is on the agenda of a meeting next month of the Council's Committee of Ministers. Turkey has threatened to withdraw from the Council of Europe if the report is accepted.

Both Germany and France hesitate to antagonize Turkey on this issue but believe that they cannot compromise without undermining the credibility of their defense of human rights in Soviet bloc countries and Berlin, particularly in the context of the CSCE review in Belgrade this summer. Ireland, which is chairing the February session of the Council of Europe has asked for US guidance. British officials may try to avoid a clash with Turkey in that forum by stressing legal and procedural questions that may dispose of the report.

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